

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees – In-House Actuarial Meeting

October 29, 2015 – 2:00 p.m.

Members present:

JON HARRIS, Chairperson (Active No. 25669), term expiring– July 1, 2019
JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2016
LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2016
JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2017
DANIEL RADDOCK, Financial Regulation Representative
ELIZABETH PEARCE, VT State Treasurer

Members absent:

DEBORA PRICE, representing Secretary of Agency of Education
Active Member Alternate Representative – vacant

Also attending:

Laurie Lanphear, Director of Retirement Operations
Joshua McCormick, assistant to Kathie Kretzer
David Driscoll and Kevin Penderghest, Buck Consolidates
Hope Manion, Buck Consolidates – via telephone
Scott Baker, Director of Financial Reporting
Matt Considine, Director of Investments
David Beatty, Dept. of Finance and Management
Heather Gamble, Dept. of Finance and Management

The Chairperson, Jon Harris, called the October 29, 2015, meeting to order at 2:00 p.m., which was held in the Governor's Conference Room, fourth floor, 109 State Street, Montpelier, VT.

ITEM 1: Approve the Minutes of:

- **September 16, 2015**

On motion by Mr. Mackey, seconded by Ms. Norris., the Board voted unanimously to approve the minutes of September 16, 2015, as submitted.

ITEM 2: Review/Act on FY '15 Actuarial Valuation and Assumptions

Mr. Driscoll reviewed with the Board members the reasons for having an annual actuarial valuation. Mr. Driscoll spoke to the board about the experience study that was conducted earlier this year. At the time of the experience study, the Rate of Return was approved for 7.95%. Subsequent to review, the Treasurer's office is recommending the adoption of the balance of the experience study.

Mr. Driscoll presented the results of the actuarial valuation for the fiscal year ending June 30, 2015. As of June 30, 2015, there was a decrease of 367 active teachers from June 30, 2014. He

stated that although the total active teachers have seen a decrease, total compensation and average compensation has increased. Mr. Driscoll stated that there was a 5% increase in retiree's and inactive members have decreased from June 30, 2014. The normal contribution rate is down from 1.70% to 1.35%.

Ms. Pearce stated that workforce changes at LEA level would result in upward pressures on the pension system.

Mr. Driscoll reviewed with the board member data, asset allocation and assets. Assets for valuation are 1.662 billion and assets for valuation purposes are 100.6%. Mr. Driscoll reviewed with the board the sources of gains and losses. The valuation has a loss of \$9,027,800. He then reviewed the contributions payable under the system, experience of the system, and the balance of assets and liabilities.

Ms. Pearce then gave to the board a hand out concerning the amortization schedule and a recommendation to consider revisions to be scheduled to more rapidly pay down the unfunded liability.

On motion by Ms. Pearce, seconded by Mr. Mackey, the board unanimously approved to adopt the Actuarial assumptions as presented in the draft experience study and to forward to the Governor, and the chairs of the House and Senate, the contribution recommendation of \$82,659,576 for FY '17 based on the FY'15 Actuarial Valuation report as provided by the state independent actuary, Buck Consolidates, which will also include the impact from 5% to 6% contribution for non-vested teachers as of July 1, 2014.

ITEM 3: Review 2015 OPEB update

Mr. Penderghest reviewed with the board the FY '15 OPEB report. He stated to the board that this valuation is to measure liability for post-retirement medical benefits, and is done each year to project the cost of medical benefits for retiree's remainder of life. Mr. Penderghest stated to the board that the unfunded accrued liability is \$1.003 billion. The unfunded liability was increased due to a change in Actuarial Standards of Practice (ASOP6), that required pools like VEHI to be rated differently. This affects plans across the country. Without this revision, the liability would have decreased.

There was a discussion about the comparison of Pre-Funding Basis versus Pay-as-you-go Basis as well as an overview of retirees versus active members and age's pre-65 versus post-65.

Mr. Penderghest then reviewed with the board the the actuarial assumptions and methods, actuarial accrued liability, membership data by age and group, premium bills, and the net OPEB obligation. Next year's report will also need to measure projections and assumptions concerning the Excise tax.

On Motion by Mr. Mackey, seconded by Mr. Norris, the board unanimously voted to approve the report valuation for post-retirement benefits for the Vermont Teachers Retirement System, with the one change to the net obep obligation as explained by Ms. Pearce.

ITEM 4: Review/accept 2016 Meeting Schedule

Mr. Harris indicated to the Board members the 2016 meeting schedule was contained in the board packets for their information. The VPIC meetings will need to be adjusted and a new calendar will be sent to the board members.

ITEM 5: Any other business to come before the board

Ms. Pearce gave to the board copies of a memorandum from the AG's office as well as a memorandum from the retirement office, to retirees, stating the COLA for 2016 will be 0.0%.

ITEM 6: Adjournment

On motion by Ms. Pearce, seconded by Mr. Mackey, the Board unanimously voted by roll call to adjourn at 3:36 p.m.

Next Meeting Date:

The next scheduled VSTRS meeting is an In-House meeting, November 10th, at 9:00 a.m.

Respectfully submitted,

Kathie Kretzer
Secretary to the Board